From:	Jon Baksht <Jon Baksht[/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=616E540ABD1643C39BFBD92B29B63C8F-JONATHAN BA]>
Sent:	Tuesday, January 1, 1980 12:00 AM
To:	Lenz, Derrick <derrick.lenz@citi.com>
Cc:	Baumann, Peter T <peter.t.baumann@citi.com>
Subject:	RE: EXTERNAL: RCF Terms

To: Lenz, Derrick [derrick.lenz@citi.com]; Darin Gibbins[Darin.Gibbins@valaris.com]
Cc: Baumann, Peter T [peter.t.baumann@citi.com]; Maroney, Maureen P [maureen.p.maroney@citi.com]; Trauber, Stephen [stephen.trauber@citi.com]
From: Jon Baksht[/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=616E540ABD1643C39BFBD92B29B63C8F-JONATHAN BA]
Sent: Tue 12/10/2019 9:59:09 AM Central Standard Time
Subject: RE: EXTERNAL: RCF Terms

Derrick,

I'm sure it comes as no surprise to you, but we are unable to agree to your new revised term sheet which introduces even further restrictions and limitations than the last terms that I told you were unacceptable to us. I'm significantly disappointed that in the course of the last several weeks after agreeing in principle to a term sheet, Citi has done nothing but continue to build upon new asks to fill out your wish list. We will move forward with our financial plan and the current revolving credit facility. Our offer to enter into the term sheet presented to you last Monday, which contains concessions from the term sheet we agreed to prior to the bank meeting, remains open. Otherwise, please notify the bank syndicate we are not moving forward with the amendment.

I'll also note that from my perspective and that of my Board of Directors, we are highly disappointed with Citi as an institution. We came to you for support at a time of conflict with a shareholder and it is our perspective as opposed to being constructive, you are using our circumstances as negotiating leverage against us. As Luminus's proposals have become more public the terms being offered to us have continued to deteriorate and it is our impression that credit would prefer an outcome with Luminus' plan in the hope that the revolving credit facility would be discarded in their lever up the company and return capital financial plan. I'll note, we do not feel backed into a corner and are comfortable in our position in this public dispute. You'll find that Valaris will be less than constructive when Citi comes to us with asks in the future.

Regards,
Jon

Jon Baksht | EVP & CFO
Valaris | Jon.Baksht@valaris.com

From: Lenz, Derrick <derrick.lenz@citi.com>
Sent: Sunday, December 8, 2019 5:37 AM
To: Jon Baksht <Jon.Baksht@valaris.com>; Darin Gibbins <Darin.Gibbins@valaris.com>
Cc: Baumann, Peter T <peter.t.baumann@citi.com>; Maroney, Maureen P <maureen.p.maroney@citi.com>; Trauber, Stephen <stephen.trauber@citi.com>
Subject: EXTERNAL: RCF Terms

Jon, Darin,

Please find attached the terms which we are supportive of moving forward with. This incorporates several changes incorporated after further discussions with Bracewell which are intended to clarify areas where there was ambiguous language open to interpretation – otherwise it is largely legal re-wording vs. any material change.

As discussed, based on unsolicited feedback we have received from the syndicate, while we are amenable to moving forward with the attached, we believe reaching the desired minimum extended commitments of $1.05bn will be a difficult and challenging endeavor. While the proposed terms in the attached include substantial security, there are many "off-market" considerations which we think will be challenging for Lenders (lack of a springing maturity for large debt towers, no financial covenants and a collateral release mechanism which prevents Lenders from understanding their collateral through the full tenor of the deal (i.e. the lien release will be viewed as likely allowing the best collateral to be released at the worst time)). We are also concerned that given the totality of the terms and conditions, the "freerider" issue will cause a tension that will lead to an unsuccessful syndication.

Since our last discussion Peter and I have discussed your stated objectives along with the likely desires from Lenders. We have created an outline of terms which we believe will have a better chance at receiving broad support from the bank group while trying to address your key goals. If the below is of interest, we would be happy to provide a more detailed term sheet. Please note the below would also be subject to obtaining credit approval.

- Amount: 50% reduction offered to all lenders (~$800mm maximum facility size)
- Maturity Date: December 2023 (~1.25 yr extension)
- Security: None – facility to remain unsecured
- Guarantors: A to be determined group of rigs
- Availability: Limited at all times to the lesser of (i) the Commitments or (ii) an amount that is permitted to be secured under all other debt documents of the Company and its subsidiaries (when aggregated with all other secured debt under those baskets)
- Financial Covenants:
  - Minimum Guaranty Ratio > 3.00x
    - Rig Value based on the appraised Fair Market Value ("FMV") for each rig owned by the Rig owning guarantors
      - FMV of each rig shall be based on the FMV of each rig from one Approved Appraiser
      - Springs to two Approved Appraisers if RCF utilization > 50% for a TBD period
        - At least 80% of total FMV (for each test) must be derived from Collateral Rigs which are contracted as of the date of measurement; Up to 20% of total FMV from Marketed Rigs; No value attributed to Stacked Rigs
      - Appraisals required on an annual basis
    - Total Debt / Capitalization < 60%
- Permitted Liens / Guarantees
  - Against Guarantor Rigs:
    - Liens: None
    - Guarantees of other Debt: None
  - Non-guarantor rigs:
    - Liens: No restrictions, subject to restrictions in under all other debt documents of the Company

and its subsidiaries (when aggregated with all other secured debt under those baskets)
        - Guarantees of other Debt: No restrictions
- Restricted Payments
    - No share repurchase / dividends
    - Ability to repurchase debt outside of the RCF permitted, subject to:
        - Via exchanges: Permitted, subject to a maturity which is > 180 days beyond the RCF maturity
        - Via Tenders, open market purchase, etc.: Permitted, Subject to the 2022 note having no more than $200mm outstanding
        - All repurchases outside of the RCF subject to:
            - No Default or Event of Default
            - Minimum Guaranty Ratio > 3.50x
            - Pro forma compliance with all other Financial Covenants
            - Minimum Liquidity > $500 million
                - Defined as availability under the RCF plus unrestricted cash up to the anti-cash hoarding threshold
            - Redemption of the Pride Notes due 2040, the Rowan Notes due 2042 and 2044, and the Valaris Notes due 2044 with cash subject to $300 million cap

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